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Guide to Leading Practice Performance Management

An overview of key principles that will help councils to drive improvements in their performance



Introduction

- & The project to develop a national set of Efficiency and Productivity measures was primarily commissioned to provide a common framework for councils to calculate efficiency improvements so that the Annual Efficiency Statement can be populated on a consistent basis
- & The project has identified 26 high-level measures that will track efficiency and productivity savings and span all the major service areas
- & We recognise that each council will have their own plans for the level of efficiency savings they wish to make across each of their corporate and front line services. In addition we are aware that the way in which councils deliver these efficiency savings will be highly varied and a matter of local choice
- & The focus of the project therefore was to develop a broad set of measures from which **each council would be free to select those indicators that it felt it was relevant to report against in any given year**



Using the measures to drive improvement

- & Whilst the basic requirement is to use the measures annually to provide the information with which to populate the Annual Efficiency Statement, we believe that councils will realise significant benefits from using the measures throughout the year
- & To effectively drive improvements in efficiency and ensure they deliver their required overall saving, councils need to:
 - Identify the measures that will be relevant to report against for the year and then set appropriate local targets
 - Track performance against each measure over the course of the year to assess whether the targeted level of saving is likely to be achieved
 - Take appropriate remedial steps if it is apparent that the targeted level of saving for the year will not be realised
- & The alternative would appear to be waiting to the end of the year and hoping that the desired savings have been achieved, by which time it is too late to do anything if they have not
- & Given this, the remainder of this document focuses on a number of aspects of leading practice in performance management:
 - Reviewing performance
 - Ensuring all aspects of performance are considered
 - Handling gaming issues
 - Reporting performance
 - Setting performance targets

Reviewing performance

Suggestions for how to ensure that performance information is reviewed effectively and used to drive the future performance of the organisation



Frequency with which to report and review measures

Reporting measures

- & Measures that track critical areas, or where performance is likely to be volatile, should be reported on a monthly basis
- & Other measures do not need to be reported so frequently, but should preferably be reported on at least a quarterly basis if possible
- & Measures that can only be tracked on an annual or semi-annual basis may still be important but do not allow the management team to actively monitor, and more importantly manage, the underlying performance

Reviewing measures

- & On a monthly basis measures should only be reviewed on an exceptions basis (e.g. red and amber measures if a traffic light system is used)
- & On a quarterly basis all measures should be reviewed, regardless of the levels of performance being reported
 - Poor or unambitious target setting could be the cause of apparent good performance and so needs to be identified and addressed
 - Provides opportunity to acknowledge and celebrate high performance

By prioritising the reporting and reviewing of measures, the management team can ensure that they always focus their attention on the critical areas



Key features of monthly and quarterly review meetings

& Adopting the ideas outlined on the previous slide will mean that a Management Team will use a mixture of monthly and quarterly meetings to review performance

Monthly Meeting	Quarterly Meeting
5 Shorter, more focused meetings that may be dominated by a single topic	5 Longer, more all-encompassing meetings
5 Focus on a subset of measures and only review those where there are concerns	5 Review all measures, regardless of performance in quarter
5 Have opportunity to rigorously review selected measures	5 Time constraints and scope of meeting limit extent of review
5 Key purpose is to agree actions to address areas for concern	5 Key purpose is to ensure consistent understanding within Management Team of overall performance
5 Key outputs are an agreed set of actions to address areas of concern	5 Key outputs are an overview of all performance against objectives, an agreed set of actions to address areas of concern and acknowledgement of high performance

General process for review

- & Performance information distributed well in advance of review meeting
- & Prior to meeting individuals review every measure for which they are responsible, identify any that are under-performing and determine reasons for this situation
- & At review meeting, undertake a detailed review of exception areas
 - Person responsible for measure reports causes for under performance, (e.g. excess demand, resource shortage, unexpected event) and identifies potential remedial actions
 - Team discuss situation and agree remedial actions to be taken to address under-performance
 - Assign responsibility for implementing actions to a member of the team
 - Agree timescales
 - Agree additional resource allocation if required
 - Identify and agree any additional support needed from colleagues
- & At next meeting, review performance levels to see if implementation of actions has improved levels of performance

See the Appendices for a more detailed breakdown of the steps to go through at the review meeting and for a sample agenda



Key benefits of proposed performance review process

By adopting the leading practice outlined, management teams will be:

- & Managing performance and making decisions rather than just reporting on performance
- & Proactive in the management of areas of concern, rather than reacting to them once they have happened
- & Systematically reviewing performance as a team on a regular basis and identifying the critical areas that need to be addressed
- & Taking individual and collective ownership of measures and responsibility for driving the performance that is being achieved
- & Agreeing actions jointly rather than individually so that everyone understands how they can better support each other



Communicating performance

- & A key component of performance management is communicating performance, both internally within the organisation and externally to customers and other stakeholders
- & The purpose of such communication is to:
 - publicise and recognise high performance
 - motivate staff to achieve their targets
 - identify areas where increased efforts are required
 - inform external stakeholders of how the organisation is performing
- & For publicly funded bodies, tax payers want to know how their money has been spent
- & A variety of media and methods should be used to meet the needs of different audiences, for example:
 - Notice boards and intranets for internal staff reporting
 - Newsletters and the internet for external communication



Ensuring all aspects of performance are considered

Suggestions regarding the range of measures that should be reviewed

Drill-down measures

- & The objective of the Efficiency and Productivity measures project was to develop a small set of high-level indicators that could be used on a national basis
- & Given that every council will pursue efficiency improvement in its own specific way, it was **never intended that these high-level measures would substitute local management information**
- & At a local level councils need specific measures that will track the achievement of key local priorities. They also need detailed information sitting behind the headline numbers to help them understand the reasons for the overall performance being achieved
- & In recognition of this we have identified a selection of drill-down measures for every efficiency measure
- & These are suggestions of indicators that managers may want to use to provide the required additional information and insight
- & They are not obligatory to use but merely suggestions for councils to review and choose as they see fit to supplement their existing performance information
- & These drill-down measures are documented in the detailed measure templates

Quality check measures

- & It is important when reviewing reported efficiency gains to make sure that the **progress is as a result of a genuine improvement in efficiency rather than as a result of cutting costs** by reducing the level of service provided
- & To address this we have developed quality check measures for each of the high-level efficiency measures, which are documented in the detailed measure templates
- & These will provide the evidence that the quality of service delivery has been maintained (or improved), thereby ensuring that any improvements being reported have been realised as a result of efficiency gains as opposed to service cuts
- & These quality check measures are merely suggestions and councils may alternatively have their own measures that they wish to use, such as West Lothian's Public Service Improvement Framework
- & Regardless of which measures are used, we would recommend that councils adopt some appropriate quality check measures and then report and review their efficiency measures hand-in-hand with them



Monitoring other aspects of performance

- & The efficiency and productivity measures only allow councils to monitor one specific aspect of their overall performance
- & However leading practice is to monitor and manage all aspects of an organisation's performance (as outlined below)

Outcomes	What ultimate impact on, or consequences for, our customers, citizens and stakeholders are we looking to achieve?
Outputs	What services as an immediate result of our activities must we deliver to our customers, citizens and other stakeholders?
Processes	What are the key processes that we need to excel at, and how can we more efficiently deliver our services?
Inputs	What people, skills and culture do we need to ensure we have the right delivery capability and capacity?

- & Councils should therefore look to supplement the efficiency measures with other indicators that track all these additional aspects of performance



Handling gaming issues

*Ensuring that measures do not drive perverse
or negative behaviours*



Gaming behaviour

- & Performance measures drive behaviours by encouraging individuals and teams to strive to meet targets
- & Good measures can help motivate staff to deliver higher levels of performance and better outcomes for customers.
- & However measures can also drive the wrong behaviours, for example when:
 - Staff or managers shift problems over to other divisions not being measured
 - Disproportionate resources are allocated to activities because they are being measured
 - Measures are manipulated to show performance to be better than it actually is
- & Although these actions may help achieve the individual target, they are contrary to the desired outcome. This behaviour is known as perverse or “gaming” behaviour
- & There are two ways to avoid this:
 - Ensure measures are very carefully worded so that they only drive the desired behaviours
 - Use two or more counter-balancing measures
- & *Examples of both of these are provided on the next page*

Combating gaming behaviour

Rephrasing a measure

In order to avoid patients having to wait to see their doctor, GPs were told that they needed to see all patients on the same day they requested an appointment. The measure used was:

% of patients given an appointment on the day they called

In order to achieve this, patients were only allowed to call on the morning of the day they wanted the appointment and could not make appointments for a future date. They were only offered an appointment on that day, and if there were too many patients wanting appointments then some would be unsuccessful and would have to try again the following day. This led to widespread dissatisfaction amongst patients. To avoid this, the measure was reworded to:

% of patients given an appointment on the day of their choice

This spread the appointments and restored patient satisfaction.

Adding a counter-balancing measure

In order to monitor the performance of operators in a contact centre, managers developed the measure:

The average time taken for calls to be dealt with

In order to achieve the targets they were set, operators attempted to deal with calls as quickly as possible with the consequence that queries were not correctly answered or calls were misdirected. Consequently the level of complaints soared.

Although this measure was designed to increase productivity by encouraging agents to deal with as many calls as possible each day, it clearly drove the wrong behaviour. The following counterbalancing measure was therefore introduced:

The % of calls dealt with at first contact







These two measures combined ensured that operators dealt with calls quickly and that customers were not passed from department to department and that they did not have to call back again within a few days because they had been given the wrong information.



Reporting performance

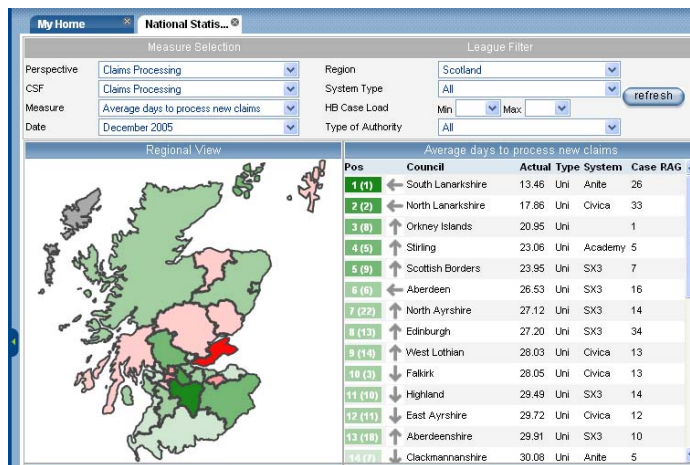
Ensuring performance information is clearly presented so that it can be easily reviewed

Reporting performance information

- & Performance information needs to be presented in a way that it is easy and quick to read, understand and interpret
- & A system of traffic lights, referred to as RAG indicators, is often used to show levels of performance “at a glance”
 -  Target has been met or performance on track to meet target
 -  Performance is in danger of missing target; performance needs to be watched
 -  Target has been or will be missed
- & Arrows are also often used to illustrate the trend between periods
 -  Performance has improved from last period
 -  Performance levels have remained the same as last period
 -  Performance has worsened from last period
- & Graphs and charts can also help make the data more easily understandable

Benchmarking performance against peers

- & **The objective of the Efficiency and Productivity measures project is not to produce annual league tables**
- & However by virtue of this being a national set of measures that will be consistently applied across councils, there is an opportunity for councils to benchmark their performance with other similar councils
- & Obviously local conditions (e.g. size of council, socio-economic demographics, etc.) mean that there will be huge variances between councils, and so any benchmarking will only make sense on a 'like for like' basis
- & Variations in performance between similar councils would then provide a focal point for sharing local experiences and leading practice





Setting performance targets

Ensuring that appropriate targets are set for the performance measures



Target setting

- & A target is defined as a required level of performance against a specific measure
- & In order for progress towards the achievement of an objective to be tracked and monitored, a target needs to be set
- & In setting a target, the following data needs to be considered:
 - Previous performance or baseline
 - Historical trends
 - Achievements by external top performers
 - Resources available
- & Where a new measure has been developed and there is insufficient data to determine a baseline, there should be a delay before the target is set. Once sufficient performance information has been collected that a baseline can be established then the target can be set. Failure to delay setting the target may result in inappropriate targets being set (i.e. unachievable or too easy), which could potentially undermine the integrity of the measure resulting in loss of faith and confidence

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Appendices

- & **Key components of performance management**
- & **Developing measures**
- & **Reviewing Performance - *Additional information***



Key components of performance management



What is performance management?

Performance management can be defined in a number of different ways, but essentially includes the following elements:

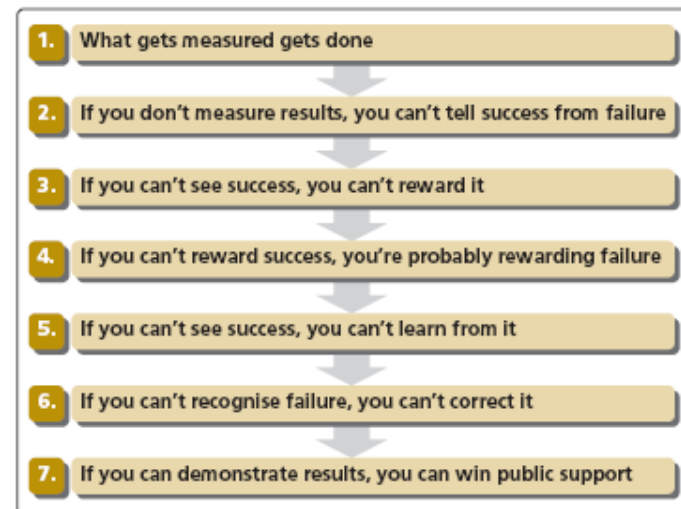
- & Leadership from the top
- & Being proactive in response to performance information
- & Focusing on improvement not measurement
- & On-going and regular review at all levels
- & Identifying and taking actions to improve performance
- & Delivering better outcomes



The benefits of a performance management system

Having an effective performance management system in place will help to:

- & **Communicate business direction** – indicating what is important and where efforts should be focused
- & **Align your employees roles with your business needs** – establishing priorities with clearly defined and appropriate measures
- & **Help to ensure continuous improvement** – regularly reviewing performance and taking appropriate action
- & **Drive the right behaviours** – good measures can motivate individuals to achieve the organisation's goals and targets



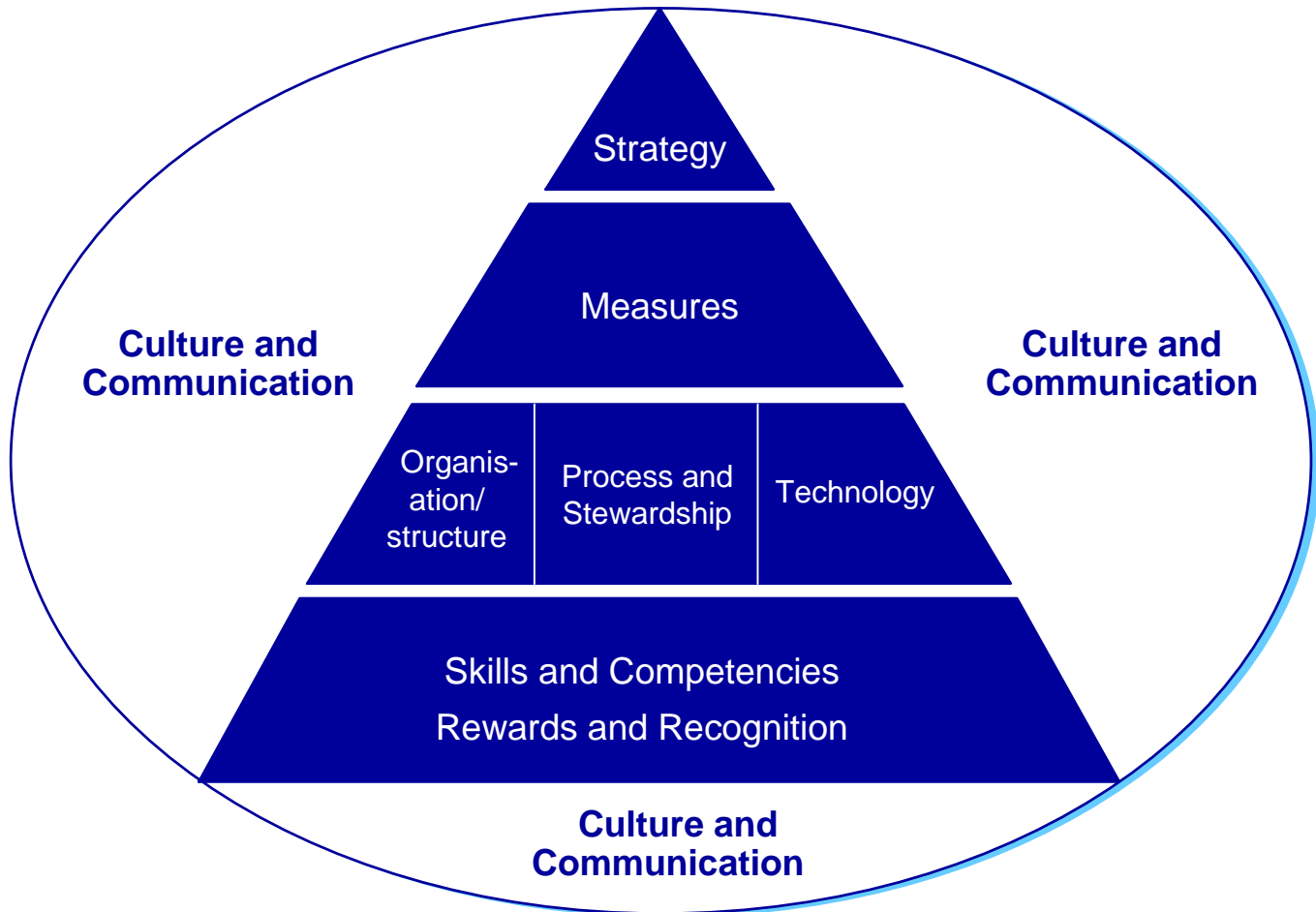
Effective performance management

For performance management to be effective, the following are critical:

- & **A can-do culture, inspired by strong leadership**
 - Ensure everyone is actively engaged in improving performance
 - Leadership constantly reiterate the importance of performance management
- & **Crystal clear priorities, underpinned by robust measures**
 - Organisational strategy identifies direction and priorities
 - Each priority has one or more measures to track progress
- & **Real time, regular and robust performance data**
 - Performance data is systematically and regularly collected and analysed
- & **Agreed lines of accountability**
 - Personal ownership of each measure is assigned, with individuals held to account for performance levels achieved
- & **Clear performance management reviews, combining challenge and support**
 - Performance reviews are held regularly and incorporate constructive challenge
 - Remedial steps are identified and taken to address under performance
- & **Transparent set of performance rewards and sanctions**
 - Good performance is recognised, acknowledged and rewarded
 - Support is made available to help address under performance
- & **Communication is widespread**
 - Performance data is widely published

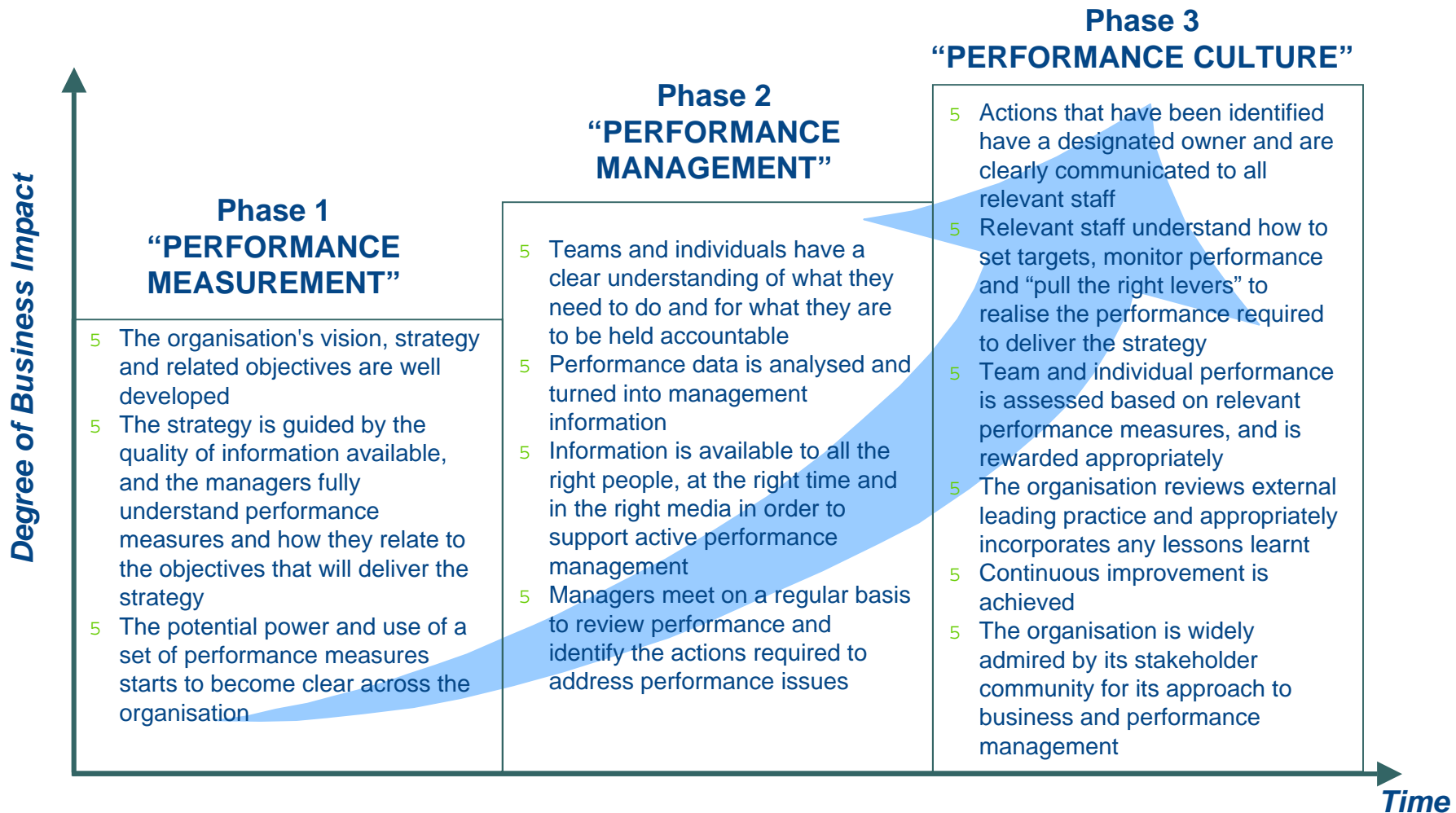
It's more than just measures

Effective performance management requires all the key components to be aligned



Evolution of a performance management culture

It takes time and effort to build a performance management culture and organisations need to adopt a structured and phased approach to developing their capabilities





Developing measures

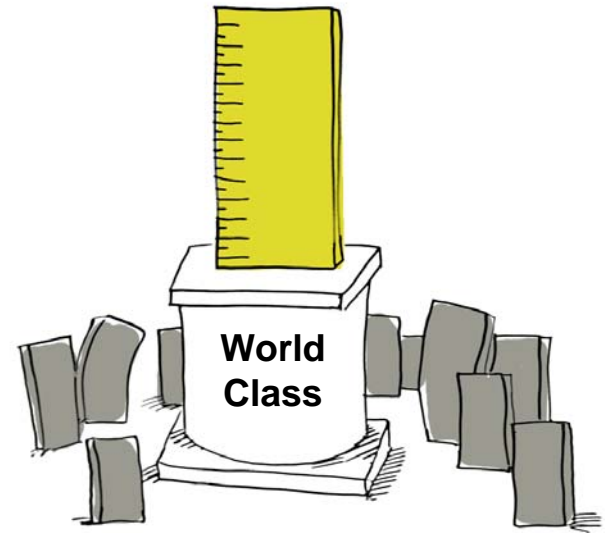


The need for measures

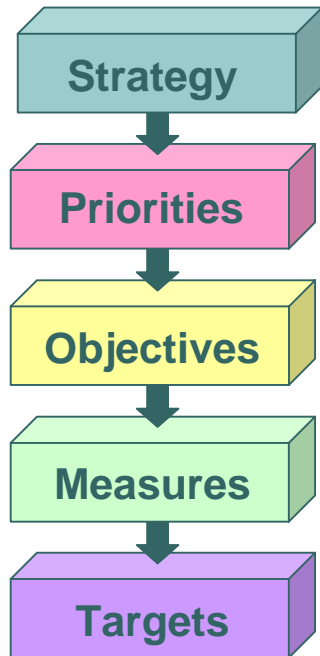
In order to ensure agreed priorities are on track to be achieved, a set of measures or performance indicators need to be developed and agreed.

World class measures...

- ...are easily communicated and understood
- ...drive the desired behaviors
- ...are a means to an end
- ...are few and focused
- ...change over time



Building great measures



- & Measures need to be developed in a structured, top down way, flowing from the organisation's strategy and priorities
- & Measures need to be SMART
 - **S**pecific – clearly defined and unambiguous
 - **M**easurable – able to be regularly monitored
 - **A**chievable – targets should be stretching but not impossible to achieve so that they motivate rather than demoralise those delivering performance
 - **R**ealistic – within the control of those accountable for performance
 - **T**ime bound – can be achieved within a realistic agreed time scale
- & It is rarely possible to design the perfect measure and it is usually better to just settle for something that is good enough and that everyone can live with



Characteristics of robust measures

An effective performance management system needs robust measures. The measures should:

- & Be clearly defined to ensure consistent collection and comparison
- & Be cost effective to collect, to ensure the benefits of using the information outweigh the cost of collection
- & Prevent perverse incentives and gaming behaviour
- & Be responsive to changes in performance so that data can be collected regularly
- & Be statistically valid so that false conclusions are not drawn
- & Be unambiguous so it is clear what constitutes good performance
- & Be attributable so responsibility for performance can be allocated

Lead and lag indicators

- & Measures can be used as a management tool at two stages in the performance cycle:
 - During the period in which you are working to achieve your priorities
 - After the end of the period
- & Depending on when you want to monitor performance, there are two types of indicators

Leading indicators

- & These indicators assess intermediate processes and activities
- & They are considered “leading” because they provide some indication of whether the organisation or department is heading towards a desired outcome – they act as headlights and tell us how well we’re likely to do down the road
- & Examples include number of days lost to sickness absence or average time taken to respond to service requests, which could both have a consequential negative effect on customer satisfaction

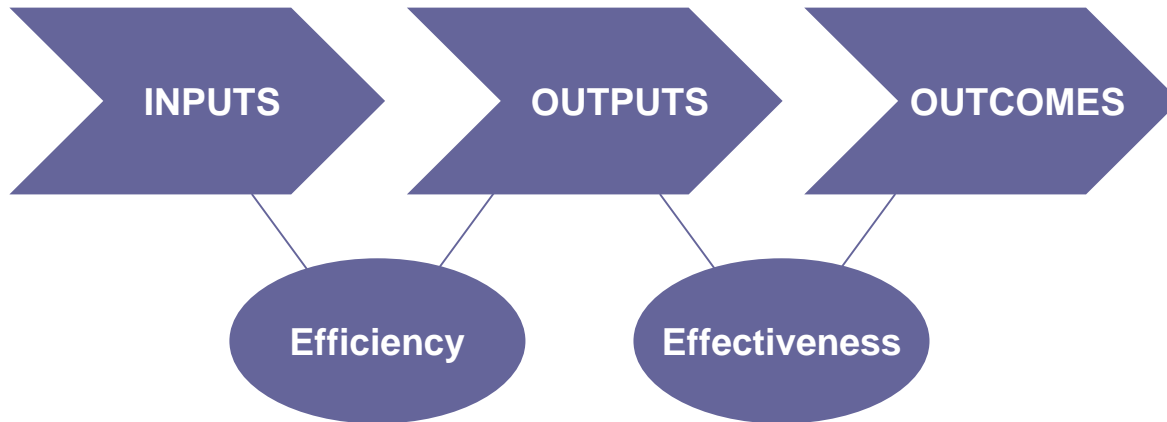
Lagging indicators

- & These indicators assess past performance and whether the desired outcomes have been achieved – they act as a rear view mirror telling us where we have been
- & Examples include number of burglaries, percentage of pupils passing exams, etc.

Leading practice is that a mixture of both types of measure are developed

Efficiency and effectiveness measures

- & Leaders of organisations need to ensure that their resources are being used as efficiently and effectively as possible in the delivery of desired outcomes
- & It is therefore important that measures of efficiency and effectiveness are incorporated within a full suite of performance measures
- & The diagram below shows how efficiency and effectiveness are linked to inputs, outputs and outcomes





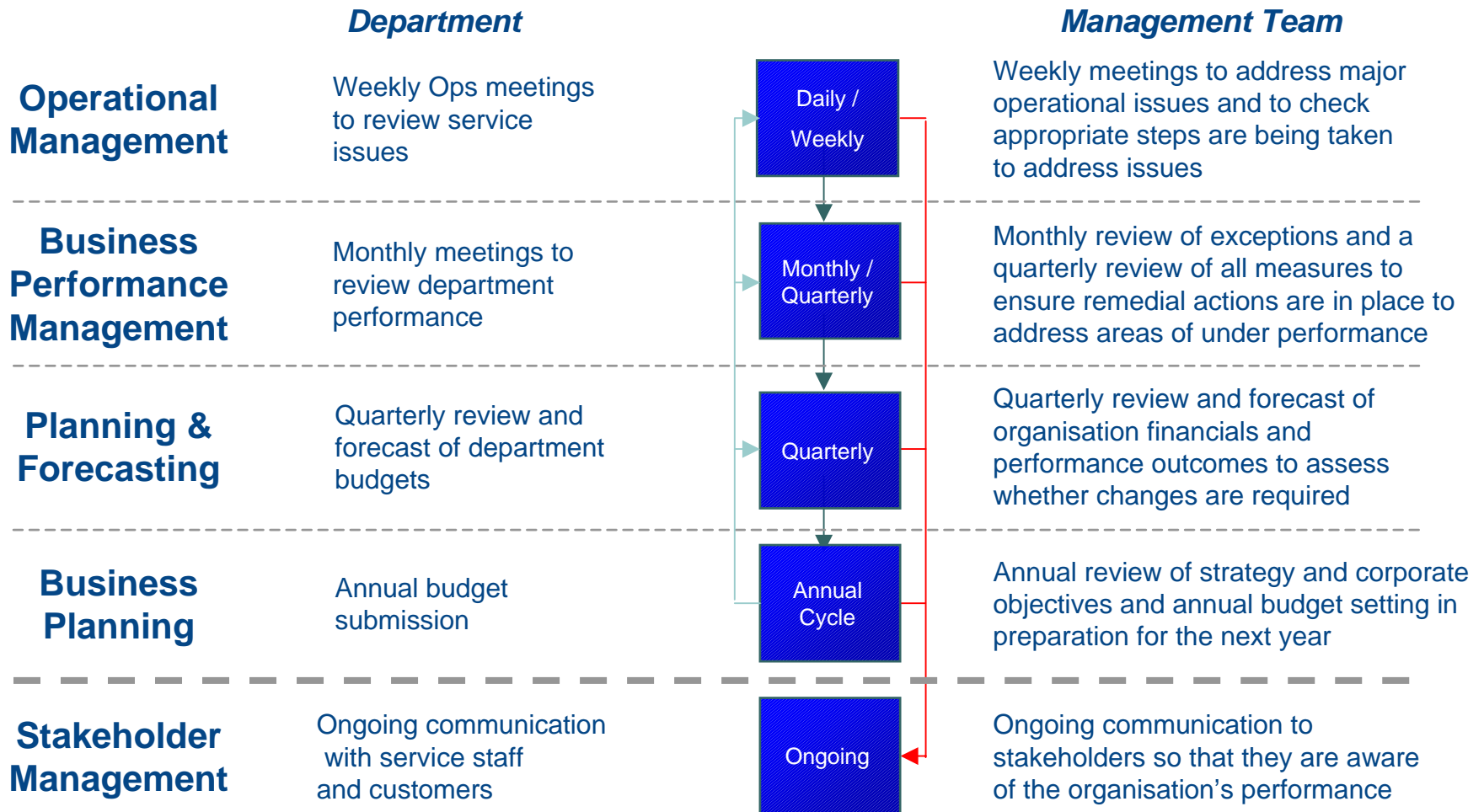
Reviewing Performance

Additional information



Performance management in the wider context of managing an organisation

The review of performance measures forms only part of an organisation's broader strategic management





Detailed steps for reviewing performance

For all Red or Amber measures, the following steps should be taken:

1. The measure owner explains to everyone the performance being reported
 - Outline the performance that is being reported by the measures, and how this compares to their respective targets
 - As a guide, the objective owner probably needs to be looking to answer the following key questions in their explanation:
 - What has caused the red/amber status
 - What level of performance is actually being achieved in the area
 - How does this level of performance compare to the baselines (historical trends) and targets
 - Why is this level of performance being achieved now
2. The measure owner outlines what is being done to address this issue?
 - The actions that are being taken/proposed
 - The impact these actions are expected to have on the level of performance, and when this is expected to happen and be reflected in the performance levels being reported
 - Any help that is required from the Management Team to implement the actions
3. The Management Team make one of two decisions
 - Are the actions being initiated / proposed sufficient to address the issue? If so then the team can move onto the next measure that requires review
 - Are there further actions that need to be taken or is additional support or resources required? If so then the Management Team need to agree what they are, who is going to do them, and by when.



Sample agenda for monthly performance review meeting

<p>Meeting</p> <ul style="list-style-type: none"> & Monthly Management Team Performance Review 	<p>Agenda</p> <ul style="list-style-type: none"> & Introduction by Chairman & Review previous meeting minutes and action points & Detailed review of exception areas & Identify key actions to be taken; for example <ul style="list-style-type: none"> — Task a small group with doing some more detailed analysis — Instigate a new strategic initiative / project — Identify discrete tasks to be carried out by a person / team & Consolidation and ownership allocation of agreed actions & Confirm details of next meeting
<p>General focus</p> <ul style="list-style-type: none"> & Review objectives and measures that lend themselves to monthly monitoring & Opportunity to focus on key exception areas & Agree actions to address exception areas 	
<p>Attendees</p> <ul style="list-style-type: none"> & Full Management Team required to attend & Additional attendees may be required to cover for regular attendees or to help outline reasons for under-performance and the suggested actions to address them 	<p>Outputs/Communication</p> <ul style="list-style-type: none"> & Key points for inclusion in monthly communication to operational staff & List of actions to be taken with clearly assigned responsibilities
<p>Inputs</p> <ul style="list-style-type: none"> & Monthly performance report & Minutes and responses to the previous meeting & Any materials that owners of exception measures feel they need to explain reasons for under-performance and / or the actions to be taken to address them 	